

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



Reserve

A281.359  
Se2

UNITED STATES  
DEPARTMENT OF AGRICULTURE  
LIBRARY



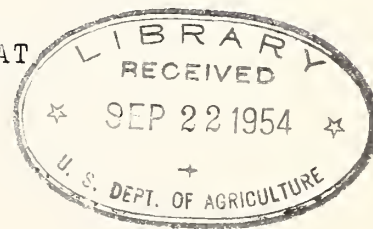
Reserve  
BOOK NUMBER A281.359  
874050 Se2

5c  
April 5, 1954

<sup>30</sup>  
X A REPORT ON SURPLUS GRAINS  
in the United States X

Present farm policies are of increasing concern to every thinking citizen. Large stocks of farm products are accumulating in government hands as a result of price support operations. With respect to corn and wheat, how large are these stocks and what are the prospects for the next year or two? What proposals have been made for disposing of these and other farm products? How may these surplus grains be used most wisely in the event of a widespread drought in 1954? Answers to these questions and related points are analyzed in this report.

PROSPECTIVE INCREASES IN STOCKS OF CORN AND WHEAT  
AND PROPOSALS FOR DISPOSAL OF THEM



Stocks of Corn and Wheat

Corn. The total stocks of corn in the United States on October 1, 1953, amounted to 769 million bushels. The ten-year (1937-46) average stocks for this date were 394 million bushels.

The accumulation of corn stocks was large during 1952-53. At the beginning of the crop season, they were 487 million bushels and at the close 769 million bushels. On that date, September 30, 1953, more than 500 million bushels were in CCC inventory or under CCC loan.

Supply and distribution data have been projected for corn and wheat through the current crop year 1953-54 and through 1954-55 and 1955-56. (See attached sheets).

On the basis of these estimates, total stocks of corn are expected to exceed 900 million bushels in the fall of 1954 and again in the fall of 1955. Not until the fall of 1956 will the carryover of corn begin to decline, unless some special action is taken.

Government may own or control 600 to 800 million bushels of these stocks, depending on future CCC sales policies and related factors.

Wheat. The total stocks of wheat in the United States on July 1, 1953 were 563 million bushels, compared with the ten-year (1937-46) average of 310 million bushels.

As in the case of corn, wheat stocks accumulated rapidly during 1952-53. At the close of that crop season, June 30, 1953, 470 million bushels of wheat were in CCC inventory and an additional 144 million bushels were under loan. Total stocks were 563 million bushels.



The supply and distribution projections for this year and for 1954-55 and 1955-56 indicate that total wheat stocks will climb to approximately 835 million bushels by June 30, 1954, to 928 million bushels by June 30, 1955 and may reach nearly one billion bushels by June 30, 1956. Most of these large stocks would probably be in government hands.

### Proposals for Disposing of Surplus Stocks of Farm Products

Statements from official and other sources of proposals to dispose of surplus stocks of farm products were reviewed. This was by no means an exhaustive compilation, but excerpts of statements from the most frequently mentioned proposals are attached to this report. Domestic relief and export programs are stressed repeatedly. Plans for increased use of grains for feed, except for drought areas, are notably lacking among the proposals.

### Some Timing Aspects of the Proposed Farm Program

1. Modernized parity would become effective on January 1, 1956, as now scheduled by law. Provision would be made for moving from the old parity to modernized parity in steps of 5 per cent of the old parity per year, beginning in 1956.

These parities for corn and wheat as of January 15, 1954 were as follows:

	Old parity	Modernized parity
Corn, per bushel	\$1.80	\$1.61
Wheat, per bushel	\$2.48	\$2.13

2. Flexible price supports in which the price support would be related to supply is now scheduled to become effective January 1, 1955. For corn, a change of one percentage point in the support price would be made for each one percentage point change in the supply. Also, it is proposed for 1955 and subsequent crops to raise the normal carryover allowance from 10 per cent to 15 per cent of the domestic use plus exports.
3. It is proposed to set aside up to \$2.5 billion worth of surplus commodities in a special reserve stock pile. These surpluses - principally wheat, cotton, vegetable oils and, possibly, dairy products - would not be counted in the total supply calculations of flexible supports.

The net effect of these proposals is to postpone any significant lowering of price supports on corn and wheat until January 1, 1956.





### Corn Usage Potential

The problem is not only one of limiting future supplies of farm products to correspond with anticipated needs, but there is the immediate problem of reducing the present surplus to a manageable level.

Feed. About 85 per cent of the total corn disappearance is for livestock feed, so feed disappearance must receive major attention in considering the possibility of additional usage. However, each of the other channels of disappearance also must be analyzed for possibilities.

Any increases in livestock production will be limited by natural and economic factors. The natural factors will determine the length of time required to increase livestock production, and the extent of increase will eventually be determined by economic conditions.

Poultry and hogs offer the best opportunity to increase feed production. Changes in these enterprises can be relatively fast because of the shorter production cycles, and they are favored by economic factors at the present time. Prices of eggs and hogs have been at favorable levels during the past year and profits from these enterprises have been exceptionally good.

The number of chickens raised this year is expected to show an increase of 40-45 million over last year's 616 million, and this year's laying flock is estimated to average 350 million layers, 10 million larger than the average number on hand last year. A laying flock of this size could be maintained through the next several years without too much impact on returns to the efficient egg producer, assuming of course, that there is no serious set-back in general economic conditions.

Broiler production in the principal commercial areas has been running around 9 per cent above the last year since the beginning of the current feeding year. However, prices have been low and a cut-back from the present placement rate is likely. An increase over last year of 5 per cent, or about 40 million more broilers for the year is probable. This is about the maximum number which can be expected in broiler production for the next several years at prices which will reflect a reasonable return. Any shifts in turkey production within the next few years is expected to be from large to small breeds, with no significant increase in total pounds produced or in total feed requirements.

The dairy herd is about 3 per cent bigger than it was a year ago and the feeding of grain to dairy cattle has been at a record rate this year to offset the lack of pasture and forage. This will continue at least until spring pastures are available, but current and prospective prices of dairy products are not conducive to continued heavy feeding into next year, especially if pasture conditions are reasonably good.



Hogs are the big consumers of corn and it is through them that any substantial increases in corn consumption will occur. With lower spring and fall pig crops in 1953, the number on feed in the current feeding year has been well below the last several previous years. Plans have already been made for the spring crop and production cannot be expected to exceed the published intentions by any substantial amount, so no substantial increase in corn consumption by hogs can be expected before the 1954-55 feeding year. It is believed that hog production could be expanded to 93-95 million head by next year. That is an increase of around 10 million head, which at average market weights would require 200 million bushels of additional corn. Such an expansion would, of course, have its impact on hog prices. Hog prices could be expected to be around \$17.00-\$18.00 instead of the current prices of \$25.00-\$26.00, with the corn-hog ratio near the long time average.

Considering these possible adjustments in livestock production, the consumption of corn for livestock feed can be expected to be increased 60 million bushels this year and 215 million bushels next year. This is the maximum which reasonably can be expected in the immediate future and still maintain prices of livestock and livestock products at profitable levels.

Industry. The other uses for corn offer some possibilities for additional disappearance. It is believed that the wet corn processing industry can, with enlarged domestic and foreign outlets, use up to 150 million bushels per year. This probably would be the extreme limit of possibility.

The dry processing industry has used about 95 million bushels annually in recent years and no further increase in usage for that purpose is probable within the next few years.

The amount used for alcohol last year dropped to the lowest level since World War II. The alcohol industry increased its use of corn in the first quarter of this year, and an increase over last year of 6 million bushels is a reasonable expectation.

Exports. Exports of corn established a new record last year, amounting to 140 million bushels. About 100 million bushels are indicated this year and with additional effort this might be increased to as much as 120 million bushels, and possibly to as much as 150 million bushels in succeeding years. This would require considerable effort and cooperation on the part of government agencies and private exporters but it appears to be within the realm of possibility. The possibility of expanded exports should be thoroughly explored.

Assuming these possible increases, total disappearance could be expected to increase a maximum of 65 million bushels this year, with an increase of 250 million bushels in the succeeding year.



Thus, if production is maintained at a level which does not exceed the probable demand, the carryover will not be reduced to a manageable level of 500 million bushels until the beginning of the 1955-56 crop year.

POTENTIAL CORN DISAPPEARANCE

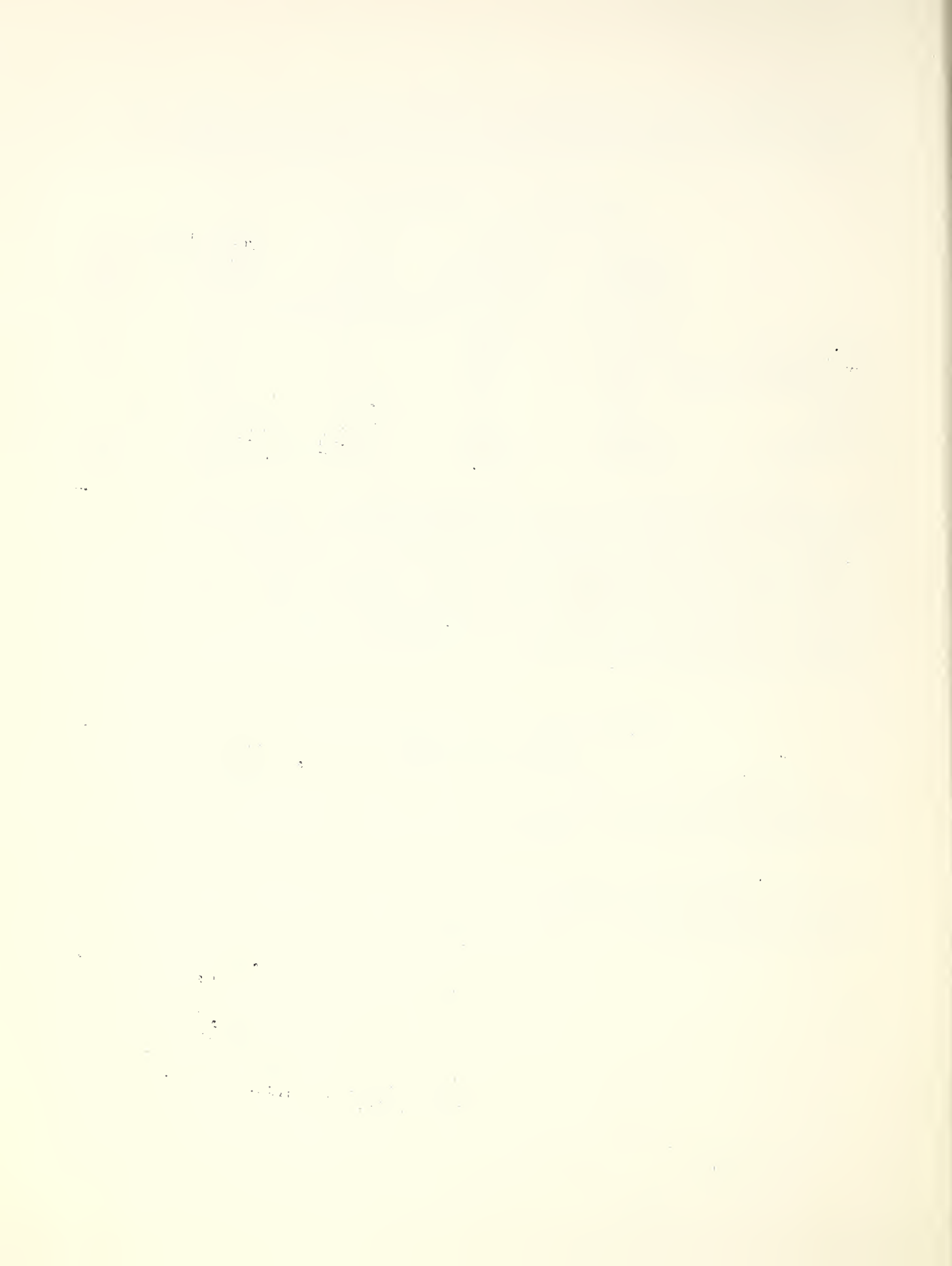
	Last year (1952-53)	Maximum this year (1953-54)	Change from (1952-53) (Million bushels)	<sup>Possible</sup> Probable next year (1954-55)	Change from (1952-53)
Feed	2,303	2,363	60	2,518	215
Wet process	130	150	20	150	20
Food (dry process)	95	95	--	95	--
Alcohol	17	23	6	23	6
Seed	11	10	- 1	10	- 1
Exports	140	120	-20	150	10
Total	<u>2,696</u>	<u>2,761</u>	<u>65</u>	<u>2,946</u>	<u>250</u>

These are believed to be the maximums which can reasonably be expected in the different channels of disappearance in the immediate future. However, these potentials cannot be attained without some immediate and positive actions on the part of the government. Livestock feeding will not be increased to the level indicated unless feeders have a reasonable assurance of profit. Likewise, milling and industrial usage and exports of corn are not likely to be expanded to the maximum extent unless corn is made available at prices substantially below the present support level.

Increased CCC Capital Requirements  
for Wheat and Corn

At the close of the 1952 crop seasons, CCC loans and inventories for wheat and corn alone amounted to \$896 million. By the close of the 1953 crop seasons, CCC commitments had risen to \$2,106 million.

On the basis of projections made in this report, the total for these two grains may be expected to rise to approximately \$3,280 million in 1954, \$3,530 million in 1955 and \$3,780 million in 1956. These projections are made on the assumption of normal weather.





	1952 July 1 wheat Oct. 1 corn mil.	1953 July 1 wheat Oct. 1 corn mil.	1954 July 1 wheat Oct. 1 corn mil.	1955 July 1 wheat Oct. 1 corn mil.	1956 July 1 wheat Oct. 1 corn mil.
Wheat					
Loan	\$ 47	\$ 97 )	\$2,000	\$2,250	\$2,500
Inventory	364	1,187 )			
Corn					
Loan	22	434 )			
Inventory	<u>463</u>	<u>388</u> )	<u>1,280</u>	<u>1,280</u>	<u>1,280</u>
Total	\$ 896	\$2,106	\$3,280	\$3,530	\$3,780





## MAKING OPTIMUM USE OF UNITED STATES GRAIN SURPLUSES

### IN THE EVENT OF A WIDESPREAD DROUTH IN 1954

Rainfall has been below normal over wide areas of the country for many months. As a result, reserve moisture supplies are dangerously low in many of our more important grain producing areas. While it is too early to predict a bad drouth in the summer of 1954, above normal rainfall will be needed during the spring and early summer if a serious situation is to be averted.

In looking back over past drouth periods, we find the following series of events recurring rather regularly:

1. In June or July it becomes evident that crops may be sharply reduced. Grain and feed prices start rising sharply and in one or two instances have doubled during the period from June to September. (e.g., in 1936 corn prices advanced from a low of 61 cents on June 1 to a high of \$1.37 on August 19.)
2. As a result of declining pasture conditions and very high feed prices, excessive liquidation of livestock and poultry occurs in the late summer and fall. This liquidation tends to feed on itself as the lower livestock and poultry prices resulting from the liquidation cause even less favorable feeding ratios, and this in turn results in more liquidation. Basic breeding herds and flocks are sacrificed during this period, and it requires considerable time to build them back.

The following figures showing grain consuming animal units on farms on January 1 before and after the drouths of 1934 and 1936 will illustrate this point:

	<u>No. of Grain Consuming Animal Units on Farms</u>
January 1, 1933	144,491,000
January 1, 1934	143,168,000
January 1, 1935	120,518,000
January 1, 1936	123,034,000
January 1, 1937	122,394,000
January 1, 1938	120,957,000

3. These sharply reduced livestock and poultry numbers during the year or two following the drouth result in the immediate building up of new surpluses of grains and feedstuffs even though grain crops subsequent to the drouth are only of normal size.



4. The American consumer is forced to pay very high prices for livestock and poultry products for a period of 18 months to two years after the year of the actual drouth.

This same series of events is almost sure to occur in another drouth period unless complete plans are prepared in advance to make optimum use of our grain surpluses. If it does occur, we can be sure:

(1) that it will hurt producing farmers; (2) that it will hurt the grain and feed trades; and (3) that it will hurt the American consumer. Since we now have very big surpluses of feed grains, careful advance planning for a drouth can avert this situation and result in the following:

1. Livestock liquidation kept within reasonable limits and a healthy livestock economy maintained throughout the drouth period. (No sharp liquidation of basic breeding herds and flocks.) Thus, nearly normal livestock numbers will be on hand to consume increased crops in years subsequent to the drouth.
2. Reduce grain surpluses to more manageable levels and in a manner which will be for the long-term good of the American people.

If these objectives are to be reached, it will require a carefully laid out plan. In order for such a plan to be effective, it should be gotten under way immediately. Unless such a plan is ready when needed, it is reasonable to expect the Government to pursue the easy course and expand the plan that has been in effect in many areas since last summer. This would be done by adding more and more counties to the list of drouth counties as political pressure is brought to bear. This would be bad for almost every group concerned because:

1. An area two-price system, when the lower price is a bargain, permits inefficient producers in one area to continue to produce at the expense of more efficient producers in other areas. It is almost sure to change livestock and poultry production patterns as between areas. This is never good, but is unpardonable in a drouth situation.
2. It would disrupt the present effective and efficient system for distributing feed grains and feedstuffs. If this disruption were to continue over a wide area of the country for a year or more, it would be difficult to get it reestablished.
3. Politics rather than economics are almost sure to prevail in the administration of such a plan.

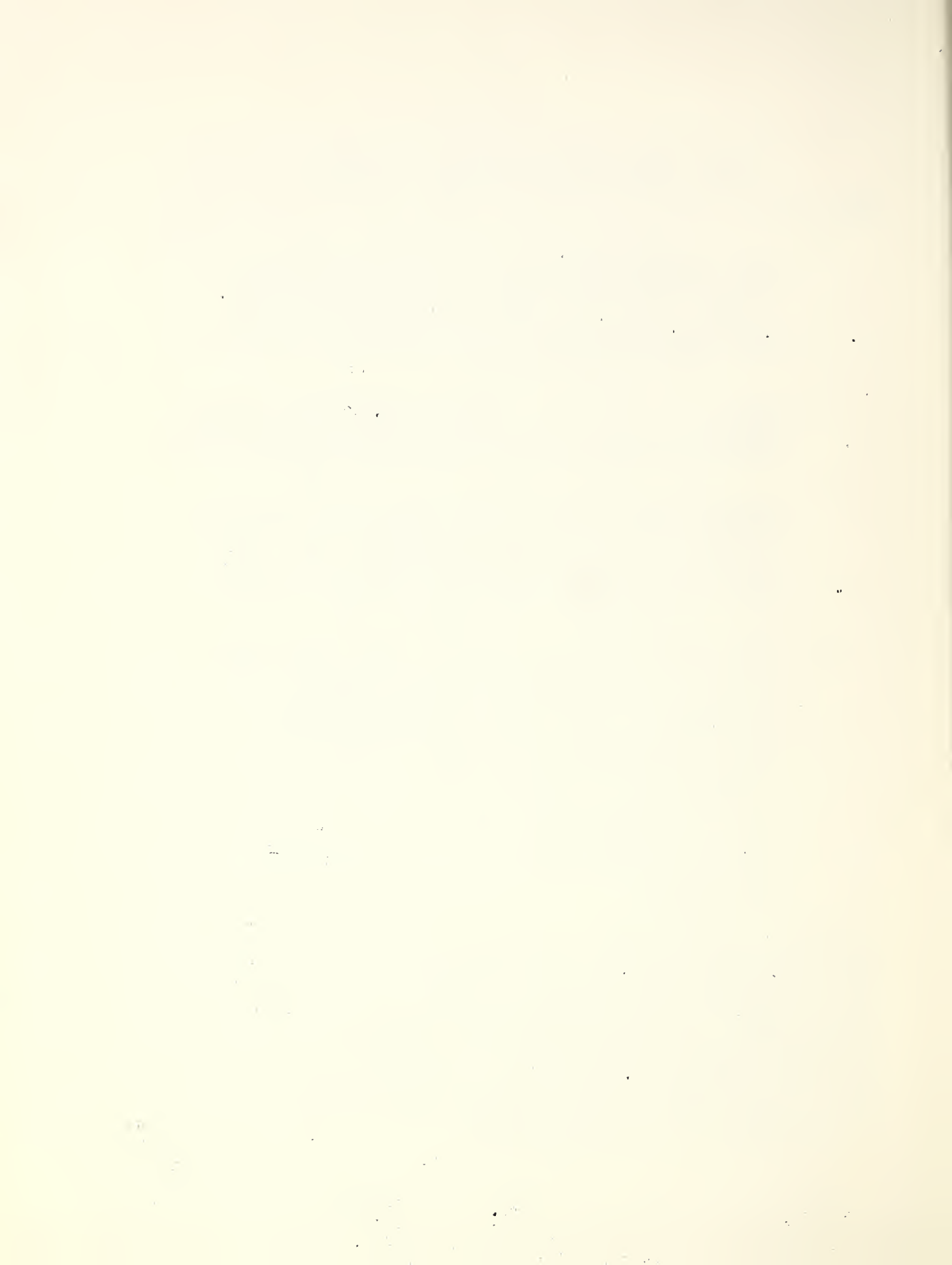


4. It is, at best, a piecemeal plan which does not weigh over-all feed supplies against over-all feed needs.

The following proposal is one line of attack on this problem:

1. Top level representatives of the livestock, feed, and grain industries should begin to work with the USDA in a study of how we can manage our feed surpluses during a drouth so as not to disrupt our established and effective system of distribution or changing our livestock and poultry production patterns.
2. The principle must be established that any drouth relief will be that no "give-away" or "bargain" programs on grain or feeds will be in effect. Particularly, any domestic two-price system should be avoided.
3. Have one man in the Department of Agriculture begin immediately to work with the various industries concerned on a carefully studied and complete program in the event a drouth begins to show itself in late May or June. This man should be given the authority to act much as Walter Berger did on proteins during World War II.
4. This program should be based on the premise that government-owned grains and other surplus feedstuffs will be fed back into the market through private trade channels at prices equal to about support levels. Such price levels for these sales would not encourage wasteful feeding but would enable the average and better feeder not only to maintain his breeding herds but to continue to produce meat, poultry, and eggs for the consuming public at a reasonably good profit. (This could be done without any serious danger of private individuals buying up these stocks and holding them for market appreciation since the government would own enough grain to keep this from happening.)

It would be political dynamite to have a sharp increase in grain prices during 1954 which results in a severe liquidation of livestock and poultry when the government owns such huge surpluses of grains. Likewise, there is no justification for a give-away or cut-price program which will completely disrupt our system of distribution and change the livestock production patterns in this country. The Administration should proceed immediately to get plans set up so that the livestock and poultry producer, the distributors of grains and feedstuffs, and the consuming public will know that we can go through a drouth without the usual boom and bust cycle in livestock and poultry.





# UNITED STATES CORN SUPPLY-DEMAND BALANCE

February 19, 1954

Millions of Bushels

	1937- 1946 Avg.	1947- 1948	1948- 1949	1949- 1950	1950- 1951	1951- 1952	1952- 1953	1953- 1954	1954- 1955	1955- 1956
Supply										
Carryin, October 1	394	283	123	813	845	739	487	769	918*	919*
Imports	2	1	1	1	1	1	1	1*	1*	1*
Production, Grain	2538	2108	3307	2949	2760	2617	2977	2870	2760**	2760**
TOTAL	2934	2392	3431	3763	3606	3357	3465	3640*	3679*	3680*
Distribution										
Feed and Residual	2231	2018	2256	2550	2480	2537	2304	2365 <sup>1/</sup>	2400*	2450*
Exports	43	7	111	103	102	75	140	100*	100*	100*
Wet Process	109	110	117	128	133	124	130	130*	130*	130*
Food	93	92	92	90	96	96	94	95*	95*	95*
Alcohol	31	30	30	36	45	27	17	22*	25*	25*
Seed	13	12	12	11	11	11	11	10*	10*	10*
TOTAL	2520	2269	2618	2918	2867	2870	2696	2722*	2760*	2810*
Carryover, Sept., 30	414	123	813	845	739	487	769	918*	919*	870*

\* Estimated

\*\* This production was estimated by projecting a 5% decrease in total acreage as compared with the 1953 acreage. The average yield for planted acreage--corn or grain--for the last two years was used in arriving at this figure. We believe this is realistic in view of the expected increase in the use of fertilizers and the fact that hybrid corn will continue to be grown.

<sup>1/</sup> We cannot see any possibility of actual feed usage being increased by more than 60,000,000 bushels this year. If the figure for the current year turns out to be wrong, it is almost sure to be due to some previous error in the production or use estimates.





# UNITED STATES WHEAT SUPPLY-DEMAND BALANCE

February 19, 1954

Millions of Bushels

	1937- 1946 Avg.	1947- 1948	1948- 1949	1949- 1950	1950- 1951	1951- 1952	1952- 1953	1953- 1954	1954- 1955	1955- 1956
Supply										
Carryin, July 1	310	84	196	307	425	396	256	563	835*	928*
Imports	19	--	1	2	12	32	21	4*	2*	2*
Winter Crop	688	1059	990	858	740	646	1060	878	725 1/2*	700 3/4*
Spring Crop	254	300	305	241	279	334	239	291	262 1/2*	262 1/2*
TOTAL	1271	1443	1492	1408	1456	1408	1576	1736*	1824*	1892*
Distribution										
Domestic Food	483	484	482	493	493	496	489	500*	500*	500*
Feed and Residual	218	179	106	111	113	93	120	110*	120*	120*
Seed	77	91	95	81	88	87	87	75*	75*	75*
Industrial	27	1	--	--	--	1	--	1*	1*	1*
Exports	156	492	502	298	366	475	317	215*	200*	200*
TOTAL	961	1247	1185	983	1060	1152	1013	901*	896*	896*
Carryover, June 30	310	196	307	425	396	256	563	835*	928*	996*

\* Estimated

1/ This production estimate was made by reducing the Government's December 1 estimate by 25,000 bushels, or 3 1/2%. This is very subjective but seems to be as good an estimate as any at this time.

2/ Represents an 18% reduction in acreage from 1953 acreage. The average yield for the past ten years was used.

3/ Represents an 18% reduction in acreage from 1953 acreage. The average yield for the past ten years was used.



## PROPOSALS FOR DISPOSING OF SURPLUS STOCKS OF FARM PRODUCTS

1. From the President's message to Congress:

"To make it effective, surpluses existing when the new program begins must be insulated from the normal channels of trade and devoted to special uses. These uses would include school lunch programs, disaster relief, emergency assistance to foreign friends, and, of particular importance, the stockpiling of reserves for a national emergency."

2. From an address by the Secretary of Agriculture, Department of Agriculture December 16, 1953:

"During the first 10 months of the year, more than 106 million dollars of "Section 32" funds -- special funds available from customs receipts -- were used to bolster prices through direct purchase. Another 100 million dollars of these funds have been earmarked for similar use. You might be interested to know that this compares with an average of about 60 million dollars of such funds which were used to help farmers during each of the five years before 1953.

"Through the beef purchase program we have contracted for more than 243,000,000 pounds of beef to help stabilize the market for livestock men who were caught in a price-squeeze. Thus, more than 850,000 head of cattle were taken off the market. This especially affected grass-run cattle from areas hit by drought.

"We have sought broader outlets for our surpluses.

"To avert actual famine in the friendly Nation of Pakistan, this Administration made available 37 million bushels of our surplus wheat to that government as an outright gift. This was a dramatic example of America's opportunities for leadership in the free world.

"In cooperation with the Nation's food industry, special campaigns have increased the annual consumption of beef to an alltime high of 75 pounds per person. Similar campaigns are under way for other products. These have helped to strengthen the domestic market.

"Special efforts have been made to get surplus feed to farmers and ranchers in the drought areas to help save their foundation herds.

"Even more important in many respects, were steps taken to expand the foreign market for farm products. One such move was suggested by the American Farm Bureau Federation and approved by



Congress. This provided that \$250,000,000 worth of surplus products could be disposed of to friendly nations on liberal terms.

"A total of \$175 million has been ear-marked for the purchase of surplus farm commodities within the United States under this plan. Substantial sales have already been completed. Foreign governments are coming forward with programs outlining their requirements, and it is anticipated that several large allocations of surplus farm commodities will be announced shortly. It should be pointed out that these sales are being made in such a way as not to interfere with normal trade through private channels."

3. From the American Farm Bureau Federation policies statement:

"There should be developed a comprehensive Commodity Credit Corporation sales policy aimed at making it clear that the liquidation of these stocks will be handled in an orderly manner and that private traders will be encouraged to participate in their disposal."

"Accordingly, whenever supplies threaten to become excessive, action should be taken in a timely manner to permit United States farm products to maintain a fair and stable, competitive position in world markets. This should include the use of C.C.C. or other funds, whichever is appropriate, to encourage the movement of commodities directly into world trade through private channels before they become the property of the government.

"The other point they concentrated on was the means of disposing of farm surpluses. They backed the American Farm Bureau Federation proposal on this:

"Surplus farm products that cannot be sold abroad for dollars should be offered for sale and export through private channels, under limitations determined by the secretary of agriculture, in exchange for local currencies. These currencies should be used as a revolving fund for expanding international trade and increasing production, to buy basic materials, and to pay U.S. obligations abroad."

4. From a news release dated January 28, 1954 from John H. Davis, Assistant Secretary, Department of Agriculture:

"Producing what the consumer wants, efficient merchandising, improved promotion and proper quality control" offer the best opportunities for increasing domestic consumption of farm products through normal marketing channels.

"Supplementing this, there is perhaps the possibility of expanded outlets through school lunches and allied uses.





"There is also the possibility of expanding foreign outlets over and above the normal channels of trade through the acceptance of local currencies. During the current year we have had some experience with this method, which gives us reason to believe that we can move at least a billion dollars worth of products in such a manner within the next three years.

"There is also the possibility of utilizing food abroad to good purpose through such channels as CARE, CROP, Catholic and Jewish Welfare agencies and similar organizations."

5. From a talk by E. J. Bell, Director Grain and Feed Division, Foreign Agricultural Service, U.S. Department of Agriculture:

"First, our foreign customers must be able to earn dollars. As a possible alternative, we need to accept their currencies or enter into barter arrangements for commodities that we need.

"Second, we need to use our influence in getting other nations to remove important controls and exchange restrictions. If we can assure them of a continuing supply of grain at reasonable prices, perhaps they will not have so much incentive to continue the import restrictions which now exist.

"Third, we must have a price policy that will meet international competition throughout the year. One mechanism we have used during the past several years to implement such a policy has been the International Wheat Agreement of 1949. We are continuing to support the renewed Agreement, which became effective last August. There is general agreement that the idea of IWA is workable and that its principles are sound....."

"And fourth, we need to make sure that the wheat, flour, and other grains that we export are of the highest possible quality....."

Dear Mr. Webb - Boston  
J. D. Lyon





